Labor and Employment Relations:
Modest and Not-So-Modest Proposals

Daniel J.B. Mitchell

LERA Panel: January 2, 2009

San Francisco

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“Everyone is entitled to my opinion.”

Madonna

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Madonna

- **Longer Run**
  - *Govt. Data Issues*
  - *International Trade Issues*
- **Immediate**
  - *Auto Bailout*
  - *State & Local Bailout*

(Seemingly) Modest Proposals

Data Issues

- Prices
- Real Output & Real Wages
- Productivity
- Labor Force Projections

U.S. Department of Labor
www.bls.gov
Bureau of Labor Statistics

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U.S. DEPARTMENT OF COMMERCE

(Seemingly) Modest Proposals

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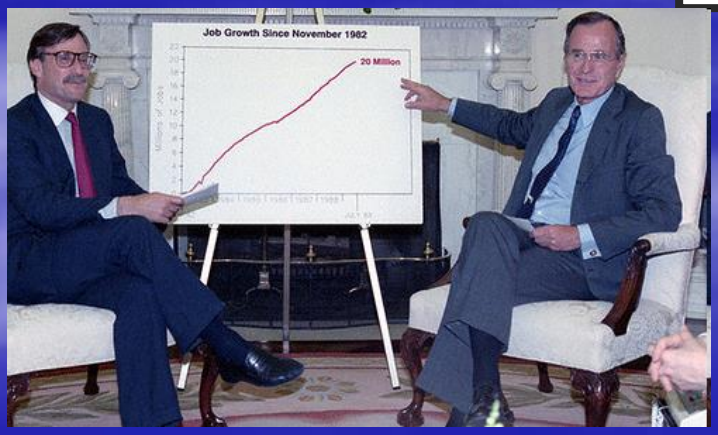
Please don't shoot me, Dr. Boskin!



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(Seemingly) Modest Proposals

U.S. Department of Labor

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Data Issues

- Prices (Alternative Menus?)
- Why did the 2-qtr rule-of-thumb fail in this recession? How real were the real wage gains?
- Productivity: US really doing well compared to other countries?
- Labor Force Projections: Is mfg. job decline just a productivity/tech issue?

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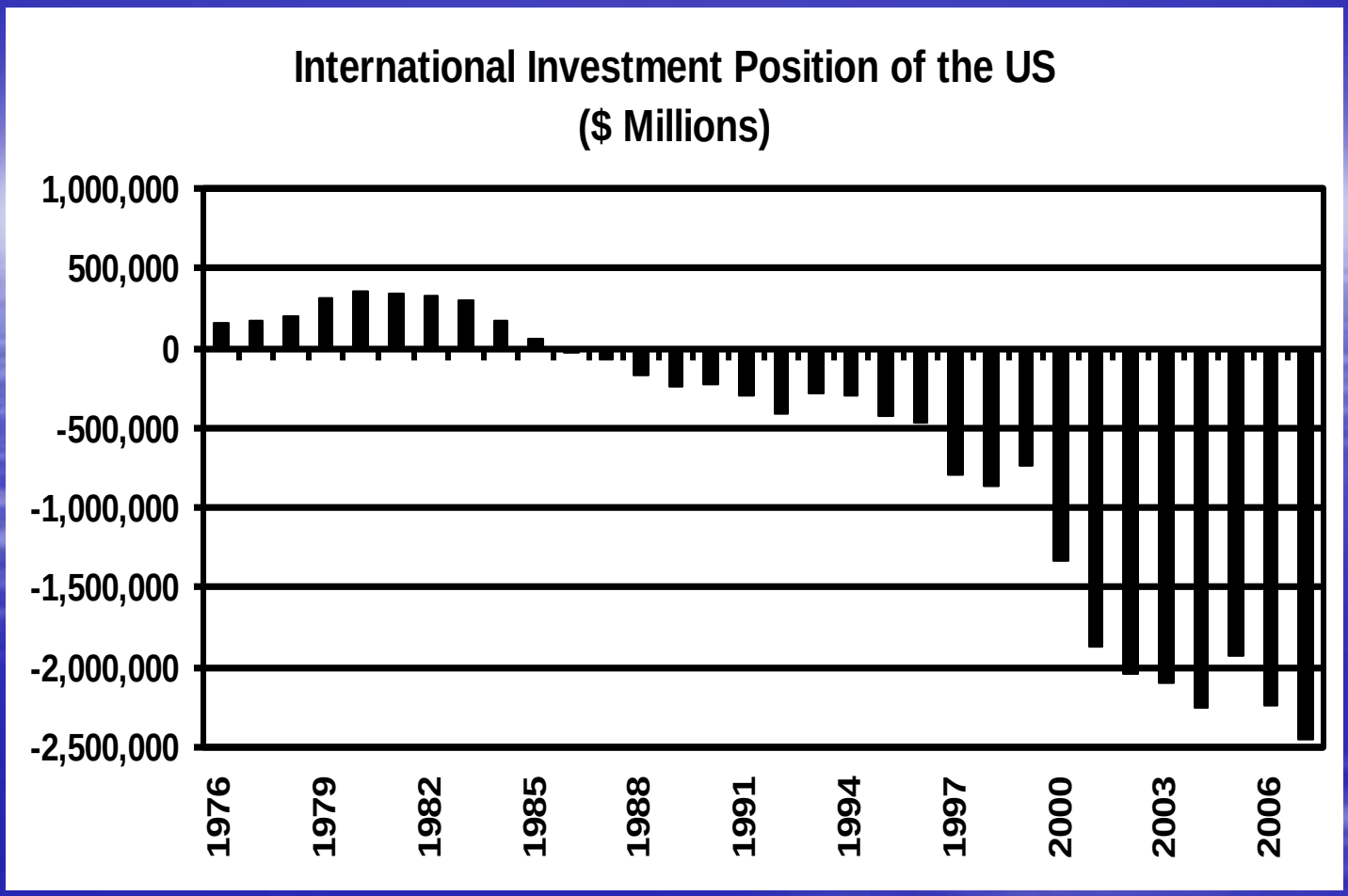
Not-So-Modest Proposals

International Trade and Trade Implications

- London Gold Conference
- Nudge/Buffett



"That which cannot go on forever must come to an end."

Herb Stein

Stylized Facts: % of GDP (2007 VA)

Agriculture	1%
Mining	2%
Manufacturing	12%
- Total	15%
Net Exports	-5%
- Goods only	-6%

Simply to get to zero balance would boost output and employment in the goods sector by something like one third. To get to surplus would produce an even bigger boost.

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BLS is projecting a job loss in these sectors 2006 to 2016 of about 1.7 million. (Why?)

Stylized Facts: % of GDP (2007 VA)

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Net Exports	-5%
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BLS says productivity was growing 3.7% per annum in mfg. but only 2.5% in the business sector as a whole 2000-2007. So non-mfg. productivity must have been rising by something like 2% per annum.

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If we keep insisting that mfg. jobs are disappearing because of relative productivity growth and we don't anticipate a trade reversal, we will not prepare the workforce for the right jobs.

Not-So-Modest Proposals

International Trade and Trade Implications

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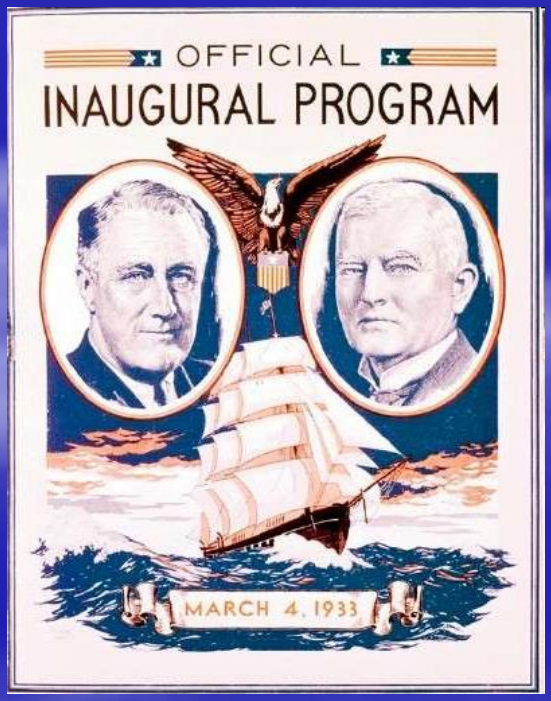
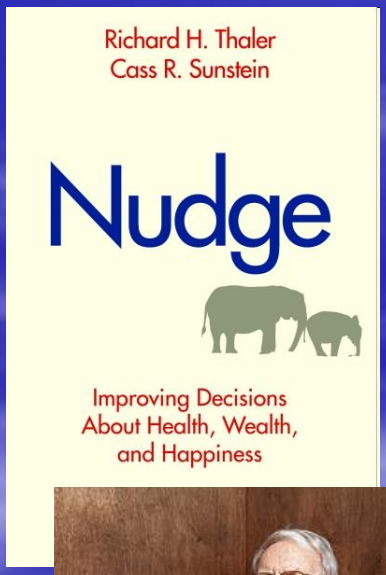




Not-So-Modest Proposals

The Washington Post

May 3, 1987, Sunday, Final Edition

How to Solve Our Trade Mess Without Ruining Our Economy

BYLINE: Warren E. Buffett
SECTION: OUTLOOK; PAGE B1

Not-So-Modest Proposals

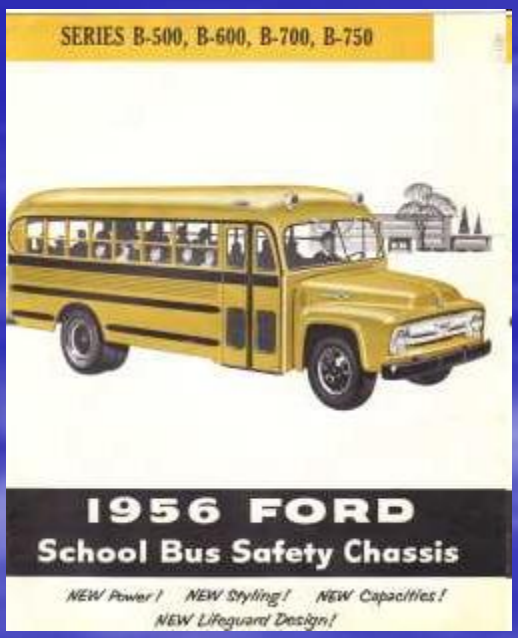
Auto Bailout

- **Loans?**
- **Alternative: Buy Motor Vehicles**

Not-So-Modest Proposals

Auto Bailout

- –Loans?
- –Buy Motor Vehicles


SERIES B-500, B-600, B-700, B-750
1956 FORD
School Bus Safety Chassis
NEW Power! NEW Styling! NEW Capacities!
NEW Lifeguard Design!

Faster impact than supposedly "shovel-ready" infrastructure

Not-So-Modest Proposals

State and Local Bailout

- California fiasco
- Repercussions for entire muni-bond market

17 Million State & Local Jobs

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